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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 AGRE-00 DOE-15 SOE-02 /123 W
----------040897 131508Z /75
R 131332Z JUN 78
FM AMEMBASSY OSLO
TO SECSTATE WASHDC 5999
INFO AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY STOCKHOLM

UNCLAS SECTION 1 OF 2 OSLO 2919

E.O. 11652: N/A
TAGS: ELAB, NO, EGEN
SUBJECT: 1978 INCOMES AGREEMENTS YIELD ZERO REAL WAGE GAINS

REF: OSLO 1872 AND OSLO 2699

1. SUMMARY: THE IMPASSE IN THE RENEGOTIATION OF NORWAY'S TWO-YEAR COMPREHENSIVE LABOR-MANAGEMENT AGREEMENT BETWEEN LO AND NAF (NORWEGIAN EMPLOYERS ASSOCIATION) WAS RESOLVED BY THE DECISION OF THE COMPULSORY ARBITRATION PANEL ANNOUNCED MAY 20. 260,000 WORKERS IN KEY INDUSTRIES COVERED BY THE AGREEMENT WILL RECEIVE WHAT APPEARS TO BE A ZERO BASED REAL INCREASE IN WAGES. LO'S DEMAND FOR A GUARANTEED MINIMUM WAGE FOR THOSE EARNING LESS THAN 80 PERCENT OF THE AVERAGE INDUSTRIAL WAGE, AND NAF'S INSISTENCE ON A LIMIT TO WAGE DRIFT, WERE BOTH DENIED BY THE ARBITRATION PANEL. THE NEW LO-NAF AGREEMENT SERVES AS THE PACE-SETTER FOR OTHER MAJOR LABOR AGREEMENTS WHICH WILL BE CONCLUDED BY JUNE 15. THE ECONOMIC IMPLICATIONS OF THE AGREMENT HAVE BEEN REPORTED SEPTEL. EMD SUMMARY.

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2. NORWAY'S COMPULSORY WAGE ARBITRATION PANEL, ACTIVATED BY AN ACT OF THE STORTING ON APRIL 21, HANDED DOWN ITS DECISION MAY 20 IN THE DISPUTE BETWEEN LO AND NAF OVER NORWAY'S 1978-80 COMPREHENSIVE LABOR-MANAGEMENT AGREEMENT. AT DISPUTE BETWEEN THE PARTIES WAS (A) THE SIZE OF THE OVERALL WAGE INCREASE FOR 1978-79, (B) A MINIMUM WAGE FOR THE LOWEST-PAID WORKERS, AND (C) A LIMIT TO WAGE

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DRIFT (PAY INCREASES NEGOTIATED AT INDIVIDUAL FIRMS ON TOP OF WAGE LEVELS SET OUT IN THE AGREEMENT). TECHNICALLY, THE PANEL DECREED (A) A GENERAL WAGE INCREASE OF NK 0.50 FOR ADULT WORKERS, (B) AN ADDITIONAL INCREASE OF FROM 10 TO 80 ORE PER HOUR FOR THOSE WORKERS EARNING LESS THAN NK 58,000 (AN AVERAGE INCREASE OF 1.5 PERCENT), AND (C) NO CEILING ON WAGE DRIFT. THE NEW MASTER AGREEMENT RUNS TO APRIL 1, 1980, WITH THE WAGE CLAUSES UP FOR RENEGOTIATION IN THE SPRING 1979.

3. THE OVERALL WAGE INCREASE OF 50 ORE, AND SUPPLEMENT FOR THE LOW PAID WORKERS CAN BE DISTRIBUTED DIFFERENTLY AMONG WORKERS, SUBJECT TO INDIVIDUAL LOCAL AGREEMENTS. APPRENTICES AND NEW WORKERS (UP TO ONE YEAR ON THE JOB) WILL RECEIVE AN OVERALL INCREASE OF LESS THAN 50 ORE SUBJECT ONLY TO LOCAL AGREEMENTS. LOCAL AGREEMENTS MUST BE CONCLUDED BY JUNE 15.

4. THE ARBITRATION PANEL DECIDED NOT TO SET LIMITS TO WAGE DRIFT, A DISAPPOINTMENT TO NAF, WHICH HAD DEMANDED THAT WAGE DRIFT BE HELD TO 5 PERCENT. THE PANEL'S DECISION, HOWEVER, PROVIDES THAT THERE SHOULD BE NO CATCH-UP WAGE INCREASE TO COMPENSATE FOR WAGE DRIFT THAT OCCURS FROM NOW TO THE SPRING OF 1979.

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5. WITH KEY LO-NAF AGREEMENT SET, OTHER IMPORTANT LABOR AND INCOME AGREEMENTS COULD PROCEED. NEGOTIATIONS BETWEEN GON AND 22 CIVIL SERVANTS' UNIONS REPRESENTING SOME 210,000 EMPLOYEES, WERE CONCLUDED JUNE 3, WITH THE PARTIES ACCEPTING THE STATE MEDIATOR'S OFFER OF 7.7 PERCENT. MUNICIPALITIES THROUGHOUT NORWAY WILL CONCLUDE NEGOTIATIONS WITH UNIONS REPRESENTING 170,000 MUNICIPAL EMPLOYEES BY JUNE 15. THE GON AND LOCAL GOVERNMENT AGREEMENTS ARE CALCULATED TO JUST MAINTAIN PRESENT BUYING POWER FOR EMPLOYEES IN THE SLIGHTLY ABOVE MIDDLE INCOMES AND LOWER INCOME BRACKETS, WHILE THOSE MAKING MORE WILL ACTUALLY LOSE SLIGHTLY IN TERMS OF WHAT THEIR NEW WAGES WILL BUY. AFTER NEGOTIATIONS BETWEEN THE GOVERNMENT AND THE FORMERS BROKE DOWN, THE GOVERNMENT DECIDED TO IMPOSE A SETTLEMENT THROUGH COMPULSORY ARBITRATION WHICH WILL GIVE THE FARMERS CONSIDERABLY LESS THAN THEY HAVE DEMANDED.

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6. IN THE NEW AGREEMENT LO PRESERVED CURRENT LEVELS OF BUYING POWER AND RAISED SALARY LEVELS OF THE LOWER PAID. WITH NO DETERMINED LIMIT TO WAGE DRIFT IN THE AGREEMENT, HOWEVER, THERE SEEMS TO BE IMPLICIT IN THE PACT AN OBLIGATION FOR LO UNIONS TO HOLD BACK WAGE DRIFT LEVELS TO THE EXTENT POSSIBLE. SOME OBSERVERS HAVE NOTED PRIVATELY THAT LO RESTRAINT ON WAGE DRIFT COULD MAKE NAF MEMBER FIRMS MORE WILLING TO COOPERATE WITH LABOR IN SOFTENING THE BLOW OF EXPECTED WORK FORCE REDUCTIONS IN INDUSTRIES DUE FOR RESTRUCTURING AND RATIONALIZATION.

7. AFTER THE ARBITRATION DECISION, THE LO SECRETARIAT DELIVERED A NOTE TO THE GON URGING THE GOVERNMENT TO MAINTAIN AN ACTIVE EMPLOYMENT POLICY, TO KEEP INFLATION BELOW 8 PERCENT, AND TO HOLD OTHER WAGE AGREEMENTS WITHIN THE LIMITS SET FOR LO AND NAF.

8. NAF DIRECTOR KAARE SELVIG SAID THE ARBITRATION PANEL DECISION HAD MORE OF A POLITICAL THAN ECONOMIC BASE. SELVIG ALSO FEARED THAT THE NEW AGREEMENT COULD ENDANGER A LOT OF JOBS. MINFIN PER KLEPPE SAID THE NEW GOVERNMENT
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WOULD NOT ADVERSELY AFFECT THE GON'S OVERALL POLICY INTENDED TO IMPROVE NORWEGIAN INDUSTRY'S COMPETITIVE ABILITY VIS-A-VIS THE COUNTRY'S MAJOR TRADING PARTNERS.

9. ECONOMIST PREBEN MUNTHE, FORMER STATE LABOR MEDIATOR,

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NOTED THE LO-NAF WAGE AGREEMENTS OF THE LAST FEW YEARS HAD BEEN TOO EXPANSIVE, AND HAD PUT TOO MUCH OF A STRAIN ON NORWAY'S FINANCES TOGETHER WITH THE PRESSURES CREATED BY WAGE DRIFT, HIGH INFLATION AND LARGE TRADE DEFICITS. THE NEW AGREEMENT IS IN RECOGNITION OF THE FACT THAT THIS SITUATION COULD NOT CONTINUE, MUNTHE ADDED.

10. COMMENT: THE COMPULSORY ARBITRATION DECISIONS AND OUTCOME OF OTHER NEGOTIATIONS WERE ACTUALLY SOMEWHAT ANTICLIMATIC. LEADING OPINION HAD ALREADY ACCEPTED THAT THE INFLATIONARY BINGE CAUSED BY VERY GENEROUS WAGE HIKES OVER THE LAST TEN YEARS HAD TO BE BROUGHT TO A HALT. THE INTEGRITY OF THE AGREEMENT'S GENERAL ECONOMIC IMPACT, HOWEVER, WILL DEPEND IN LARGE PART ON THE SUCCESS IN CONTAINING WAGE DRIFT, ONE OF THE LOOSE ENDS LEFT FLAPPING IN THE ARBITRATION DECISION.
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